

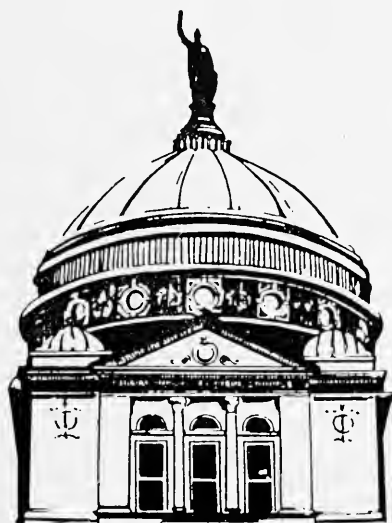
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governor Marc Racicot

# State of the State Address

presented to the  
53rd Legislative Assembly



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Mr. President, Mr. Speaker, members of the Fifty-Third Legislature, my fellow elected officers of the executive branch, Honorable Justices of the Supreme Court, leaders of Montana's Indian Nations, distinguished guests, my family and my fellow Montanans.

I am honored and grateful for the opportunity to come to this historic chamber and address this distinguished body.

Travelling and listening for the past year throughout Montana has allowed me a unique opportunity to learn more than I ever have before. I have never learned more in such a short period of time. Seeking and assuming this office has been both a privilege and a humbling experience and that's the way it should be. I stand before you profoundly aware of the expectations of the people I serve and fully intend to fulfill them.

Sixty years ago, in January of 1933, the depth of the Great Depression, Governor John Erickson appeared at this rostrum. In his State of the State message to the Twenty-Third Legislature, he made one statement which I believe is even truer today than it was then. Governor Erickson said, "Never was there a time when there was greater need of sympathetic and unselfish cooperation between the Legislative and Executive branches of our government than now."

Each of us is here today because we care deeply about Montana. I expect we may have the opportunity to disagree in the coming days, but let no one question our common dedication to the well-being of this state and its people, now and in the future.

Since I have begun my remarks by invoking the words of the late Governor Erickson and in the spirit of candor which I hope will characterize all of our conversations, I must tell you the rest of the story. On March 13, 1933, 66 days after taking the oath of office, Governor Erickson resigned. Don't get your hopes up however, because I can assure you that history will not repeat itself in that respect.

We're at a crossroads in our history. We face massive deficits in the state's general fund and in the workers' compensation fund. It is our sworn duty to erase those deficits and that task must have our highest priority. I have been, and will continue to announce specific ways to address those deficits. But we also face another problem of even greater proportion. An ever-increasing number of our citizens question our ability to govern responsibly. The term limitation initiative is clear evidence of that distrust.

The people of Montana, although patient, are tired of the inability of their elected representatives to collaboratively address the problems that undermine the common good. Montanans yearn for and demand that we reject the low-down deals of partisan politics in

favor of the lofty ideals of unselfish public service. I challenge this Legislature and my co-workers in this administration to join me and work together to restore the confidence of Montanans in their government. We have a collective responsibility to make the system work for Montana. It will take patience, persistence, respect for one another and the rejection of malice at every opportunity.

As Governor Joseph Dixon, upon his election in 1921, said: "Failure to accomplish results cannot now be shifted upon shoulders other than our own."

Let me assure you that although we may face a revenue shortfall, I am convinced there is no deficiency of leadership ability in this room tonight. Let me also make this pledge: I shall begin every activity with a presumption that each of you, Republican or Democrat, is moved by the same force that has driven me to this venue - an intense desire to be of service to those you know as neighbors in a place you call home.

For my part, I will not seek political advantage in our dealings. I want only the ability to do something for the State of Montana. It is my firm belief that if we do what's right, consequences will take care of themselves.

Permit me if you will a brief personal story that conveys my feelings in that regard. I come from partisan stock and have, in the past, been accused of being both too partisan and not partisan enough. My father, God bless him, was born the son of a logging camp cook in northwestern Montana. He was a child of the Depression, and hard work and hard times profoundly shaped his view of the world. Years ago, before he died, I can remember him saying, "I never did vote for a Republican, or have much else to do with them either." But those time are gone, we simply must have something to do with one another now.

So, I have but one request as we proceed. If your motive is to resolve the problems that confront us with fairness and honest purpose, then I will join you and be judged on the results. If you are moved by other desires, however, then don't be insulted if we pass you by. There is simply too much to be done and so little time in which to do it.

A priority of my administration, and a first step toward restoring the confidence of the people we serve, is to assure that they receive full value for every dollar they presently invest in their government. The budget I have already proposed reflects that understanding. We are now considering, with this Legislature, the largest cut in state government spending in Montana's history - eighty million dollars over the next two years.

## A genuine economic crisis

We face a genuine long-term economic crisis that has been unfolding for twenty years. Since the downturn in the energy and related industries began in the late 1970's, and coupled with the inflation of the 1980's, Montana state government has basically "survived" from biennium to biennium, rather than systematically preparing itself for the future. Montana's challenge is to craft a new governing agenda for our second century by getting back to basics and returning to the principles embodied in the "Four R's of Reform": restraining spending, reinventing government, reshaping our tax system and reinvigorating our economy.

To accomplish this renaissance, to be where Montana should be by the year 2000, I am asking you to put into place bold, comprehensive initiatives. They involve difficult choices and will take courage and faith in each other to accomplish.

Because we are a people who tend to fix our gaze not on what has been done, but on what has been left undone, we have been perhaps too easily persuaded to expand the role of government in our lives.

The 1990 census shows that our population grew just 1.6 percent since 1980 - a gain of 12,375 people. Your fiscal analyst's historical revenue and expenditure report for fiscal years 1979 through 1991 indicates that our expenditure growth was far more robust. In 1990 our general fund expenditures were nearly one hundred and ninety million dollars more than they were in 1980 - an increase adjusted for inflation of over twenty-two percent. Over the last decade government has grown 15 times larger than our population growth. During the same period our expenditures for higher education saw an inflation adjusted growth of over thirty-three percent.

I trust you will agree that our present financial difficulties are not the result of our spending too little.

As you examined the budget I submitted to you earlier this month, you no doubt have noted that although it proposes substantial reductions in our spending, those reductions are not achieved by a uniform cut in all programs regardless of their importance to our mission.

This has been a painful process for me as it will be for you. You will discover, as I have, that the numbers we deal with are not dry and impersonal. They have faces and stories which are often compelling. Because of the magnitude of the financial challenge before us we will have to make some very difficult decisions in the days ahead - decisions that in better times we may not be forced to make. But our wallet is thin and our credit exhausted. We can presently afford only the essentials.

## Setting our house in order

There are other faces which are not so visible as those lurking behind the numbers in your budget books. And other stories not so loud. They are the faces and stories of the 306,919 individual households in Montana.

Our average household income is \$28,773 per year, but half of our households have an income of less than \$23,000 per year. Working men and women who need decent jobs live in these households with their children who need a quality education to compete and succeed as adults.

We will have done them no favor if we fail to correct the problems which drive businesses and the jobs they provide outside our borders. Their children will not be helped if we must pay their teachers with registered warrants.

The future will be bleak for all of us if we do not pay our debts and set our house in order. Priorities must be reordered and funds redirected if we are to accomplish that. Progress will not come easily and it will require the shared sacrifice of all of us. But it must begin today and we must do it.

## The concept of service

I have had the privilege and pleasure of working in state government for a long time. I can report that with rare exception the people of Montana are served remarkably well by my co-workers. This administration will place a strong emphasis on providing good customer service to those we serve. To do that I ask you to provide us with more flexibility and to remove archaic budget restrictions that stifle effective management and destroy initiative. Proposals like that to be offered by Representative Sheila Rice accomplish those goals.

Reinventing and rightsizing our government must be the product of careful program review. The results of that process will be agencies that are streamlined, efficient and effective. Some will be eliminated, some will be downsized, and some will be reshaped to meet existing needs and expectations.

Take human services for instance. During the next four years one of the most important investments we will make will be the dollars we spend on Montana's families through our human services programs.

Montanan's inherent love of family and desire for self-sufficiency will be the foundation on which we build our human services system. The return on this investment will be a stronger, more productive work force and a more stable environment for our children to grow.



As the agencies of state government become better managers of our human services system, dollars once spent on "welfare" will be spent on self-sufficiency, dollars spent on families that have fallen apart will be spent keeping them together. While it may not be possible to provide new funds for these programs, managers who retrieve resources through better management will be allowed to reinvest those resources in services which keep families together and individuals self-sufficient.

Many activities currently in place would be eligible for additional funds if documentation, planning and coordination were improved. Human service departments and local providers, in cooperation with the federal government, have begun the process of identifying specific activities, such as protective services, therapeutic foster care and home-based therapy eligible for federal funds. The general funds replaced by these federal funds can then be used to break the cycle that has so many children in the custody of the state.

Those people who enter into this partnership with Montana's human service system will find a comprehensive, "seamless" system which provides assistance for the family based on their needs instead of the needs of individual agencies.

Services such as child care, job training, energy assistance, family support and case management are all tools which can make the difference between dependence or independence.

These tools, together with the compassion and common sense which comprise a great Montana natural resource, will form the foundation of a better human service system for the future.

Reinventing government also involves rethinking and reshaping the concept of service. I think back on the time when I entered into government service over 20 years ago and remember the idealism, energy and pride I shared with my peers in being a public servant.

Somewhere in the past two decades we have lost sight of the value of "service." We've grown accustomed to government solving our problems. We need to rekindle the spirit that lead me and all of you into public service. We need to restore the sense of pride gained from working and contributing to the public good.

Today we have two major problems which if properly combined lend themselves to a wonderful match and a solution - our unchallenged young people and our natural resources.

A great many of our young people lack opportunities to have responsible and meaningful work. The message they receive is that they are not needed, maybe extraneous and perhaps even a burden. We also have infrastructure and natural resource needs that have outstripped government's ability to provide.

The solution to these problems is found not in the future, but in the past. The model is the Civilian Conservation Corps and the concept is very simple - young people doing hard work that will benefit Montana. The results are productive citizens who have a commitment to the future of our state because they have invested their sweat and labor in that future.

Over the course of this administration, I want to make this same opportunity available to our young people and their communities.

The ground work for this effort has already been laid. The Montana Conservation Corps, a non-profit organization created by the Human Resource Development Councils in Billings, Bozeman and Kalispell have forged a partnership with the Parks Division in the Department of Fish, Wildlife and Parks to successfully implement a program much like the Civilian Conservation Corps.

As a beginning, and through the reallocation of existing funds, I have asked the Office of Budget and Program Planning to prepare legislation authorizing the expenditure of \$500,000 to support this program. We will use the Montana Conservation Corps to build new partnerships by linking young people with public and private agencies willing to provide opportunities for them to make a real difference in Montana.

These are just two examples of how we have to change government to respond to present needs and to do so with resources already provided.

## Creation of jobs

Against the backdrop of a responsible government living within its means, operating efficiently and effectively in the delivery of needed and necessary services on a priority basis, our most important work is to provide an atmosphere conducive to the creation of jobs.

Each of us knows someone, whether it's a friend, a neighbor or a relative who doesn't have the opportunity to work for a living wage. We have to constantly protect the jobs we have and never tire in our efforts to create new opportunities.

There are two things that undermine those opportunities to create and sustain jobs - the first is our tax structure and the second is our workers' compensation system. A competitive tax system and stable workers' compensation system are the building blocks upon which a vibrant economy rests. Montana has one of the highest percentages of small businesses in the nation and our tax structure and workers' compensation system are strangling them. They simply must be fixed without delay.

My tax reform plan, to be introduced by Senator Bruce Crippen, is designed to bring equity and fairness into our tax system and to provide Montana a fighting chance to develop our economy and create jobs.

That proposal suggests to the people of Montana that we use a four percent sales tax as a vehicle to address the remaining deficit and to make ourselves competitive again.

Montana's tax system as it relates to personal property and income taxes is simply not competitive. The result is that we continue down the same path - extracting our resources and exporting them some place to be processed. That's been our history, but it will surely be our demise if we do not interrupt that cycle and begin to see the world through different eyes. We cannot extract enough to produce the full complement of jobs necessary to sustain our people. We speak of and believe in sustained yield, but will never fully implement that principle until we begin to add value to the resources we harvest. And that will not happen until our tax system is competitive. That's the primary reason for tax reform - to produce jobs.

Our plan calls for reducing taxes on small businesses by 50 million dollars per year. Why? So those businesses that are here can expand, create jobs, and pay their employees a decent wage, and so new businesses can compete in a global economy while doing business in Montana. That means jobs.

Our proposal also suggests reducing income taxes, across the board, for everyone, by 52 million dollars a year. Why? So the same taxpayers don't continue to assume a larger and larger tax burden, so Montana families have more disposable income, and so we can create and retain investment capital for the creation of new economic expansion. That too means jobs.

Recognizing the historical argument against the use of a sales tax as a vehicle for tax reform, our proposal provides 34 million dollars in rebates for those in low income brackets, retirees and renters. Why? Because we want to remove the regressive side effects of a sales tax from being imposed upon those most vulnerable to that possibility. The last thing I want to do is to place those on fixed incomes and the economically disadvantaged at risk.

Is our proposal perfect? The answer is "probably not." Are we open to change, modification or improvement? The answer is "definitely yes." Will we consider alternatives that provide the same results? The answer is "we have invited the presentation of any alternative that seeks the same goals and produces the same results."

I believe Montanans will thoughtfully consider a tax reform

plan if they are convinced it will provide meaningful reductions in their income and property taxes and, of most importance, that we will be prudent and responsible in managing their tax dollars. I hasten to add that I remain committed to placing the tax reform package I propose to a popular vote.

I understand that many of you sincerely and conscientiously oppose the use of a sales tax as a vehicle for tax reform. I must make one reasonable request of you: review our proposal carefully and dispassionately. Albert Einstein said it best: "... significant problems cannot be solved if we think the same way we did when we created the problem." We have to change and change now.

Our plan is designed to produce jobs and bring fairness and stability to our tax system. I expect to hear the same old tired cry that our intent is to benefit big business at the expense of Montana families and workers, but that complaint is based upon historical reaction instead of facts, emotion instead of logic. I would suggest to all that if this State is not better off with our proposal, then it should not be enacted.

## Workers' compensation crisis

The crisis in our workers' compensation system is like an anvil draped around the neck of our economy. It completely stifles small business growth and places the jobs those businesses create in harm's way. Burdened by soaring medical costs, litigation, inadequate claims management and fraud, our workers' compensation system is a sorry mess in need of repair.

Our workers' compensation rates, among the highest in the nation, combined with the ticking of the "old fund" time bomb with an unfunded liability of more than 400 million dollars and the growing debt in the new fund currently at 42 million dollars, represent a barrier to economic expansion and new job opportunities.

It's time to break down that barrier. It's time to wake up from that nightmare.

Many groups of committed Montanans have dedicated themselves to producing a solution to the workers' compensation blues during the last two years. My administration, led by Lieutenant Governor Dennis Rehberg, and the members of the Fifty-Third Legislature must work together to galvanize the best and brightest ideas these groups have developed, and take immediate and dramatic steps to revolutionize our workers' compensation system.

Tomorrow, two legislative measures will be introduced by Senator John Harp that provide badly needed remedies for an ailing system.

At my request, legislation requiring mandatory worker safety programs will be submitted for your consideration and approval.

By making the work place safer, we will help reduce injury claims, limit the threat of worker injuries, and stabilize premiums.

I am also proposing that a workers' compensation fraud investigation and prosecution unit be established. This anti-fraud unit will be charged with the responsibility of aggressively identifying and prosecuting employee, employer, or health care provider abuse of the workers' compensation system. That abuse is severely damaging employers who play by the rules and injured workers for whom the system was created in the first place.

Let me pledge to the people of Montana and to this Legislature that I will never break the essential contract that the workers' compensation program represents to workers. But let me also sound the alarm to those who have habitually and systematically abused the workers' compensation system ... you have stifled economic opportunity for Montana families, you have prevented the growth of jobs in this state, and your insufferable illegal abuse will no longer be tolerated. If you've abused the workers' compensation system, watch out, because we're coming to get you. Not only do we intend to detect and prevent your actions, we will also seek punitive measures that will require you to fund this investigation and prosecution unit.

We will also be asking this Legislature to consider legislation aimed at improved claims management and cost containment through improved managed care for medical services.

The workers' compensation system finds itself in this position because efforts to correct it have failed to confront all of the realities for needed change. Those days are over. We must act, and we must act now. The time for study is past. The time for solutions is here.

And while I am proposing specific solutions to the workers' compensation crisis, I remain open to your ideas and advice. I am committed to making the workers' compensation program work effectively, and if government cannot accomplish that mission, I am open to substantial private sector involvement.

I pledge an unequivocal personal commitment to bipartisan collaboration, and the total cooperation of me and my administration in developing solutions to fix the workers' compensation program. The people of Montana rightfully demand a solution, and together we have a fundamental obligation to produce one.

## **A health care calamity**

As you know, Montana and the nation are facing a health care calamity of unprecedented proportion because of rising health care

costs. The cost of medical care is now rising at a rate which is more than double the average rate of inflation.

Health care costs have skyrocketed out of control and are now the single largest and fastest growing sector of the state's budget accounting for twenty cents of every general fund tax dollar collected. These escalating costs affect every Montana citizen. Funds that could otherwise be used to reduce taxes, improve infrastructure or increase educational opportunities are now being consumed by ever-increasing medical costs.

Employers can no longer afford insurance for their employees and when insurance is provided, the increased costs of health care absorb any funds that might be available for wage increases. To make matters worse, and despite the excessive amount of money going into the health care system, for a large percentage of our population, necessary medical care is not available. An estimated 141,000 Montanans are without health insurance.

While control of health care expenditures is now being debated in Congress, Montana simply cannot afford to wait for health care reform from the national level. This is an issue that touches every Montanan and bold, proactive, bipartisan leadership is needed now.

There have been four major health care initiatives developed for presentation to the 1993 Legislature: the Health Care Montana plan, the Montanans for Universal Health Care plan, the Health Care for Montanans plan sponsored by Governor Stephens and the Health Montana plan sponsored by Senator Max Baucus.

Although specific provisions are different in some respects, all of the plans have a number of common components. Our administration is participating with each of the sponsoring organizations and members of this Legislature in reaching agreement to support a single plan that incorporates common elements from each of the others. A bill being drafted at the request of Senator Eve Franklin will embody that agreement.

The coalition that has been formed is significantly important because it represents groups that have traditionally been opposed to each other on health care issues. The coalition also represents all of the participants that are critical to successful passage and implementation of effective health care reform legislation.

The focal point of the compromise bill is the establishment of the Montana Health Care Authority which is intended to be a cooperative effort between the Legislature and the Governor's office. The Authority is charged with the responsibility of developing and implementing a reasonable and affordable health care program that will provide access to health care for all Montanans.

The Authority will take immediate action, so that by 1999 a target can be set for reducing the current excessive rate of inflation in medical care costs to no more than the annual percent change in the Gross Domestic Product Index. The Authority will act to contain costs through global budgeting, establish an all-payer system, develop systems to control unnecessary and inappropriate care, and prioritize services. The Authority will also direct itself toward insurance reform, legal reform, anti-trust reform, the establishment of a statewide health care data base, and public education and awareness.

Let there be no mistake about my message concerning health care. Our goal and responsibility is clear: every Montanan must have decent, affordable and accessible health care. Nothing less will do.

## **Education**

There is nothing that strikes a more sensitive chord within us than our concern about education. I have five children spread throughout our educational system, in college, high school and middle school, and I am deeply committed to assuring that our education system from kindergarten through college is not put at risk. I will not compromise the quality of education. At the same time when we are facing hundreds of millions of dollars of debt we are duty-bound to examine every governmental delivery system, including education. I have presented my recommendations to you and in conjunction with the Superintendent of Public Instruction, Nancy Keenan, we will continue to develop and refine the proposals that have been made. Let's get education on track. Let's get out of the courtroom and back in the classroom.

## **Multiple use of resources**

Communication and collaboration must also be demonstrated in our approach to protecting the environment while prudently using our natural resources. We must put aside confrontational debates and litigious attitudes in order to pave the way for reasonable multiple use of our resources while protecting and enhancing the total environment of Montana. I challenge all interest groups and interested citizens to participate in the discussions and difficult decisions that lie ahead. We must provide a better and more efficient way to solve natural resource problems.

To facilitate this effort I have proposed the establishment of a Dispute Resolution Center in the Governor's Office. This office will act as a conduit to bring interests together to educate one another and provide new and innovative approaches to solving natural resource

issues. We will establish this office through the use of Resource Indemnity Trust Interest monies and a matching grant from the National Institute of Dispute Resolution and the Western Governors' Association.

This office will work with the natural resource agencies to facilitate solutions to such issues as the use of water or clean-up of abandoned mining sites. We will require the executive branch agencies in all of their administrative and regulatory actions to open their process from beginning to end, and to initiate their activities by bringing opposing parties together to discuss, educate, resolve and mitigate the problems before final decisions are made.

Natural resource priorities for our administration will include:

- focused and efficient reclamation of identified hazardous waste sites;
- clean-up of historic mining and oil and gas sites through the use of Resource Indemnity Trust funds and federal matching monies;
- promoting balanced multiple use of Montana's lands and resources;
- efficient regulatory processes open to the public and industry to ensure effective mitigation of problems before they occur;
- aggressive pursuit of water compacts with Montana's Indian Nations and the federal government;
- and an unqualified commitment to protecting Montana's resource needs and interests in disputes with other states.

What I want for Montana are probably the same things each of you want. I want a Montana where our people have jobs, where they can work for a decent wage, where they can take care of their families and live in the place they love. I want a Montana where all of our citizens have access to affordable health care and the same quality education I received in our schools and universities. I want a Montana where our tax system is fair and equitable to all, where our government lives within its means and where we no longer live from crisis to crisis. I want a Montana that feels like, and looks like, and smells like the place where I grew up.

Montana has long been known as "next year country" where things will be better next year when the rains come and the price of beef, grain, oil, gas, copper, gold and timber goes up. But we cannot wait until next year. Our problems are too great, their need for solution too urgent to allow us that luxury.

Now is the time, this is the place, we are the people. Let us ask God to grant us the grace, the wisdom, and the courage to perform the task before us.

Let us begin.





250 copies of this public document were published at an estimated cost of \$1.00 per copy, for a total cost of \$250.00, which includes \$250.00 for printing and \$.00 for distribution.



